



STRICTLY CONFIDENTIAL

May 28, 2006

SENT VIA TELEFAX TO: 00-9702-297-4148

Total Pages = 2

CONFIRMATION VIA E-MAIL TO: aalhasan@pif.ps

Dr. Mohamed Abdullah Mostafa
Chief Executive Officer
Palestine Investment Fund (PIF)
Ramallah, Palestine

Re: U.S. Law Preventing Orascom Telecom Holding S.A.E. from Presently
Meeting its Obligations to the PIF

Dear Dr. Mostafa:

I write in response to the May 21, 2006 fax of your internal counsel, which attached an opinion letter dated May 11, 2006 from your U.S. counsel.

I respectfully disagree with your U.S. counsel's conclusion that Orascom has no legal basis for withholding the \$45 million payment. Not only is Orascom legally barred under U.S. law from making the transfer, the opinion letter itself seems to recognize as much. See, e.g., Op. Letter at 4 (recognizing that "[a] restraining notice served under § 5222 prohibits the restrained party from transferring any property to a judgment debtor."); *id.* ("In this case, Plaintiffs have argued that the PIF (as an alter ego, shell or alias of the PA) is a judgment debtor to Plaintiffs and that Orascom is prohibited from transferring any property to the PIF."); *id.* at 6 n.4 ("Should Orascom choose to make the deferred payment to the PIF during the pendency of the Orascom Litigation, Plaintiffs will likely argue that Orascom is in contempt for violating the restraining notice that seeks to prevent any transfers to the PIF."). While Orascom has challenged the legal validity of the Restraining Notice imposed upon it, the fact of the matter is that Orascom is legally bound to comply with the Notice until it is invalidated by the U.S. court.

As your U.S. counsel notes in detail, Orascom has been aggressively litigating against the Estate of Ungar in both New York state and federal court for almost one year. Orascom expects to ultimately prevail, but until that time Orascom remains subject to the



Restraining Notice, and therefore legally foreclosed from transferring the funds to the PIF.

Orascom appreciates the financial difficulties the Palestinian Authority is currently experiencing, and we have consistently desired to meet our obligation to pay the PIF the \$45 million (less legal fees). Orascom cannot meet this obligation, however, until the U.S. litigation is fully resolved. Until the New York state court vacates the Restraining Notice, or the New York state and federal courts conclude that they lack personal jurisdiction over Orascom, Orascom is prohibited from violating the Restraining Notice by transferring the funds to the PIF.

Naturally, the PIF could choose to intervene in the U.S. litigation and in that manner directly advance its interests. Indeed, I understand that one of the U.S. judges has said that it would be appropriate for the PIF rather than Orascom to advance certain arguments, such as the argument that the PIF is not an alter ego of the Palestinian Authority (the judgment debtor).

Finally, I note that our U.S. litigation counsel has repeatedly received overtures from counsel for the Estate indicating that the Estate may be prepared to accept a fraction of the funds being restrained. These overtures suggest to us that the PIF may have alternatives available to it to resolve the situation short of bringing this protracted litigation to a final conclusion. Please advise if you would like the details surrounding these overtures.

In closing, I emphasize that Orascom is doing what it can to comply with its agreement with the PIF but, through no fault of its own, is at present legally precluded from forwarding the funds to the PIF.

Kind regards,

A handwritten signature in dark ink, appearing to read "Amr El-Bayoumi". The signature is fluid and cursive, written over a light background.

Amr El-Bayoumi
Vice President, Legal Affairs
Orascom Telecom Holding S.A.E.